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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: ENTREPRENEURSHIP

Entrepreneurship and national development

Report of the Secretary-General

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I. INTRODUCTION

1. The entrepreneur, as originally defined by Cantillon in 1723, brings together land, labour and capital into a productive process and is the catalyst for all economic activity. Schumpeter (1949) characterized the entrepreneur as an innovator who introduces new technology and new combinations of the factors of production, and is thus the engineer of economic adaptation and progress. The importance of entrepreneurship in long-term economic growth is clear: entrepreneurship is a necessary part of any economic activity, especially when countries have to adapt to rapidly changing technology and markets. This is also particularly relevant if countries must compete in what is rapidly becoming a more international market, where economies and enterprises cannot be sheltered from competition, but at the same time, they must meet more exacting societal demands for social equity and environmental sustainability. In recent years, slow (or negative) economic growth in several developing countries and countries whose economies are in transition has resulted in a growing consciousness that economies must adjust structurally to achieve the technological progress and economic efficiency required in the increasingly competitive and international world. In place of large, centrally directed and coordinated economies, there is a drive, in both private and public sectors, for a decentralized structure that unleashes the entrepreneurial talents in society.

2. Although entrepreneurship is important for all types of enterprises, it is especially important for micro-, small- and medium-scale enterprises, which typically constitute the bulk of total enterprises by number. Generally the term micro applies to enterprises employing less than 5 people, small signifies 5 to 50 employees, and medium means 50 to 200. In many countries enterprises in these categories account for more than half of industrial employment and as much as a third of the national product and export earnings. They tend to be highly innovative, make excellent use of scarce capital and skills, and provide a range of services and goods to the large corporations. In countries in which economic units are often too large to be economically efficient, many new small units are needed because they are responsible for a great deal of technological progress. The lack of small-scale entrepreneurs, especially the "missing middle" (small and medium-sized entrepreneurs in the modern sector), is a handicap to economic progress.

3. In recognition of the contribution of entrepreneurship and small enterprise to economic development, the General Assembly, in its resolution 46/166 of 19 December 1991, reaffirming its resolution 45/188 of 21 December 1990 and taking note of section IV of the report of the Director-General for Development and International Economic Cooperation (see A/46/206-E/1991/93, annex) and decision 91/11 of 25 June 1991 of the Governing Council of the United Nations Development Programme, requested the Secretary-General to submit to it at its forty-eighth session, on the basis of consultations with Member States and appropriate international organizations, recommendations for action by the United Nations system in support of entrepreneurship, in particular through private sector development, in interested countries, taking into account the role of women in entrepreneurship, the environmental aspects of private sector activities and the impact of the international environment on efforts to promote entrepreneurship. The present report is in response to that request and to the request of the Assembly in its resolution 47/171 of 22 December 1992.

II. GOVERNMENT POLICIES TO CREATE AN ENABLING ENVIRONMENT

A. Political and macroeconomic stability

4. Creating an enabling environment involves more than removing obstacles. Governments have a dual task: (a) to create a political and economic system in which entrepreneurship will flourish and (b) to channel that entrepreneurship in productive directions. The first task requires a stable and secure political order in which contracts are enforced, disputes are resolved, and the social order is backed by a consensus. The second task requires the building of financial, legal and market institutions, and a regulatory apparatus which protects vulnerable groups where the market fails to do so. It is desirable that the costs imposed on the economy by these functions be relatively low and that the procedures be adapted to contemporary commercial reality.

5. Competent economic management must secure price stability and encourage investment, saving and growth while protecting vulnerable groups and the economy; it has never been more important or more difficult. Economically unstable countries will fail to attract capital and technology and may experience capital flight and brain drain. Although informal sector entrepreneurship can be a survival strategy for the poor, even in unstable economic circumstances, larger enterprises will have difficulty functioning. Worse, after one or two episodes of hyperinflation, it may take a long time to restore public and international confidence.

6. Prudent monetary and fiscal policy is required to keep budgetary deficits in check and encourage savings and investment, and these should in turn lead to stable prices and full employment. Such prudent policies may have been matters of controversy earlier, but there is now a consensus that the costs of runaway budgets, giveaway financial systems, and the ensuing hyperinflation are unacceptable.

7. Although macroeconomic policy can secure a measure of stability and growth, it is more effective if it is combined with measures that adjust economic structures according to the demands of the world market. Reducing subsidies, permitting prices and foreign exchange rates to seek market-clearing levels and deregulating enterprises, both public and private, all permit enterprises to adapt their behaviour according to price signals from domestic and international markets. In most countries the pace of this adjustment has been constrained by the demands of affected groups to have the social costs cushioned.

8. The first effects of structural adjustment — the removal of obstacles to efficiency and adaptation — have not achieved the intended goals. Growth rates in many countries of Latin America, Africa and Eastern Europe were negative in the late 1980s. Unemployment rose and production fell. The dramatic increases in welfare that are urgently expected require efficient and substantial activity. Three factors ended or at least curbed unsustainable activities: (a) decreases in public sector activity; (b) curtailment of unproductive, subsidized industrial units; and (c) elimination of excessive protection and subsidy of inefficient enterprises. In the 1990s, there is a need to expand new productive activities, enabled by newly opened competitive markets. Surviving enterprises must become more efficient, and new enterprises must be created.

B. Cultural attitudes

9. Some developing countries, notably the newly industrialized countries of South-East and East Asia and China, show great entrepreneurial energy and dynamism. Others are experiencing a shortage of entrepreneurs because their cultures and histories have not encouraged enough people to play an entrepreneurial role. In many countries entrepreneurial activity is popularly believed to be anti-social: legitimate trade may be characterized as hoarding or speculation. The most talented people prefer the security of salaried employment, particularly in the government, or seek employment abroad. Except for micro-enterprise, businesses in some countries were all launched by foreign enterprise or by the State. After independence, the State found itself performing many entrepreneurial functions, but neither the State nor foreign enterprise, both of which can play positive roles, have proved sufficient. As a result, Governments have taken initiatives to orient their own people towards entrepreneurship, to provide a nurturing environment for entrepreneurship and to remove popular prejudice against entrepreneurship. In Hungary, for instance, social acceptance of private enterprise is growing rapidly. In other countries, years of centrally directed economic management have led to the atrophy of entrepreneurial orientations in both public and private sectors, and special steps have been taken to revive that entrepreneurship. In all countries, as appreciation has grown of the importance of decentralized entrepreneurs reacting to the market, Governments have moved to facilitate entrepreneurship and enterprise.

C. Business laws and institutions

10. The first priority for developing entrepreneurs is to establish a stable set of business laws and effective institutions to manage the market system. Many Governments have revised their civil legislation to provide a reliable environment for commercial activity. Antiquated commercial and property legislation has been modernized. For example, banking laws now being revised in Bolivia were last revised in 1928. These laws made no provision for leasing, consumer credit, or any of the financial innovations that have become standard practices in the last half century. In other countries, clear title to property in land is not easily established. Some countries have invested heavily in cadastral surveys.

11. Once the basic legislation for the market system is in place, detailed regulations and institutions must be developed that permit the system to be enforced without undue delay or cost. Typically, regulations protect intellectual property such as patents, copyrights, and trademarks, and regulate consumer and environmental affairs. They include rules against monopolistic and anti-competitive behaviour. The institutions that are needed include offices and courts in the public sector, as well as banks, share and commodity exchanges, national patent offices, chambers of commerce and business associations, consulting and information firms and journals and, especially, schools and training institutions. Special care is often taken to strengthen the professions that serve the market process, such as law, accounting and financial analysis. Systems of insurance and forward markets to handle risks are also required.

D. Education and technical training

12. Effective entrepreneurship requires a strong human resource base. Routine labour-intensive industries need basically literate and numerate entrepreneurs and workers. Beyond this, the development of technology-intensive enterprises is contingent on a highly skilled and technically educated labour force, which is the focus of much current development. It is no accident that the countries that have experienced rapid entrepreneur-led growth over the past decades have exceptional levels of general literacy and large numbers of highly trained technicians.

13. In many countries, the secret of technology-led growth has been the close links among research laboratories, academic and training institutions and industry. These links, which are structured in a remarkable number of ways and differ from country to country, permit the rapid spread of the newest technology and institutions and instantaneous feedback about market demand.

14. Government budget constraints have frequently led to cutbacks in primary education, which is indispensable in the creation of an educational base from which entrepreneurs can develop. Though entrepreneurs can have a variety of educational levels, most entrepreneurship requires basic literacy and numeracy. Secondary and tertiary education often require reorientation to prepare students for entrepreneurial careers. These levels of education often lack the technical orientation that would provide the skills needed by entrepreneurs and their employees. Worse, they often direct students towards a limited number of routine bureaucratic careers rather than opening up the prospect of entrepreneurship and self-employment. Shortfalls in the amount and type of education contribute to an anti-entrepreneurial cultural orientation in many countries. Educational reform is often a key element in a successful programme for entrepreneurship development. Education needs to be more technical, but it should also provide entrepreneurial orientation. School curricula need to be modernized in order to ensure that children learn the information-gathering, problem-solving and risk-taking skills and attitudes needed to succeed as entrepreneurs in later life. Some countries are aware that their educational system still focuses too exclusively on the humanities and preparation for civil service careers, and are moving to increase its technological content. Entrepreneurship training is now frequently provided in technical schools and management colleges, and entrepreneurial orientation programmes are growing in popularity in secondary schools.

15. Governments of Asian countries in particular are characterized by a high level of investment in education, especially technical education, and technological research and development. In the poorer countries, such as India, most of this investment is on government account, but the wealthier countries such as Japan, have considerable private corporate investment, often in close cooperation with the Government, in both research and training. This contrasts with the position in Africa where primary education has often been neglected and literacy is comparatively low. Technical education has likewise been stunted. This is an issue of major importance due to the high degree of labour-intensiveness of African production.

E. Access to credit

16. Most entrepreneurs believe that lack of credit is a serious constraint. Surveys have shown finance problems topping the list of complaints by entrepreneurs in one country after another. In Hungary, for instance, the problem may be described alternately as an unwillingness on the part of banks to extend loans, non-payment or slow payment by State enterprises, and high interest rates. Though many other problems (unsold inventories, low quality, high costs) may be interpreted by entrepreneurs in terms of shortage of funds, and there may in many cases be good reasons for their inability to raise all the funds they would like, this is undoubtedly a real problem and in almost all countries access to credit is given high importance.

17. This is partly a problem of low access to banks. In Poland, for instance, a wide range of commercial credit services already exists, but their market penetration is slight. Only 5 per cent of registered businesses have a bank account compared with 40 per cent in England during the Industrial Revolution. There is also a problem of differential treatment of small enterprises by the banks. Informal and small-scale formal entrepreneurs rarely get formal sector credit, partly (but not wholly) because of the relatively high transaction costs for small loans. Even for established medium-sized enterprises there is a lack of capital, especially long-term capital and more especially venture capital. State commercial banks commonly exhaust their financial resources by continued lending to bankrupt State firms. Some banks discriminate explicitly against private firms. Small-scale entrepreneurs lack collateral security for loans, or equity, or both. In many countries, the focus is on the development of a capital market to mobilize funds, especially domestic savings, for productive investment.

18. In some countries a new banking system is required. In others, banks need to re-examine their procedures for credit risk assessment and credit allocation. Some banks have been severely affected by mounting overdue payments, and their net worth is now negative. Training, technical assistance, recapitalization and prudent central bank supervision help to strengthen banking institutions.

F. Access to technology

19. The development of a technological infrastructure has been a priority in the newly industrialized countries and certain other developing countries. Governments have initiated and been directly involved in policies for the acquisition/adaptation of technology, indigenous development of technology, and its dissemination and assimilation. The management of technology transfer requires capability-building in technology acquisition and negotiation: in their absence inappropriate technology is acquired at excessive cost, inadequately modified to fit the environment, and not assimilated and as soon as the vendors leave the technology is likely to become inoperable.

20. Many countries in Asia, such as Japan, the Republic of Korea and Singapore, have supported intensive production-oriented research and development to assist in the development of high-technology enterprises. Public research institutes and universities serve as a breeding ground for entrepreneurs and start-up companies, but only if there is a close association with private industry. This

is facilitated by personnel policies that encourage private consultancy and personnel exchanges between public institutions and private firms.

21. World wide, 75 per cent of industrial/scientific information is accessible only through patent literature. National patent offices, which have traditionally limited their functions to the registration and issue of patents, may be restructured so that they offer a service to entrepreneurs in the provision of technological profiles.

G. Information on markets

22. Entrepreneurs frequently have problems in marketing their products owing to lack of market information and inaccurate information. Widely disseminated information is equally critical for domestic markets and foreign markets. In the United Republic of Tanzania, newspaper publishing and radio broadcasting of prices of agricultural products by region has reduced market inefficiencies in the purchase and distribution of food items. Some countries, such as Poland, are building an information network of databases to provide up-to-date information needed by small businesses. Similarly, Hungary is establishing business centres not further than 30 kilometres from every city: these regional centres will provide advisory, research and educational programmes.

H. Deregulation and regulatory reform

23. Many formal sector firms, private and public, have grown accustomed to protected markets, discriminatory administrative procedures and controlled banking practices, and have problems adjusting to free markets. Structural adjustment programmes, involving opening domestic markets to imports, can have temporary negative effects on domestic industry and have to be planned carefully and implemented progressively through medium-term programmes.

24. Deregulation also means the demonopolization of State industries and the encouragement of new entrants. Many countries have granted public enterprises a statutory monopoly of the supply of goods or services in the sectors in which they operate. Experience in both developed and developing countries shows that the deregulation of statutory restrictions on market entry where there is no natural monopoly can result in a substantial improvement in the performance of public enterprises. Additionally, this creates opportunities for small firms to engage in activities from which they were formerly banned, such as passenger and goods transport, insurance and other financial services, commodity distribution and retailing.

25. However, policies to assist small industry may not always be effective. The policy of reserving specified products to small-scale industry, which was at its height in the 1980s, has been widely criticized and it appears certain that this form of protection will decline throughout the 1990s. This applies also to preference in government contracting, differential rates of interest and other forms of discrimination in favour of small-scale industry. This is a reflection partly of the spirit of the times, which requires maximum reliance on markets, and partly of disillusionment with the costs of protection from lower efficiency and technological competitiveness, especially in export markets. However, it is

unlikely that such protection will be removed entirely, because of the political strength of the small-scale sector as well as public sympathy for the "little people" within it.

26. To ensure that the benefits of entrepreneurship accrue to consumers, workers, investors, revenue authorities and the environment, as well as to individual entrepreneurs, Governments need to develop and use new approaches to regulating business activity. Several countries have made progress in regulatory reform. For instance, requirements for compliance with legislation on health and safety, environmental protection, tax, social security, and minimum wages and maximum hours are often fewer for small firms than for large, both de facto and de jure. Regulatory reform requires a partnership between government and the private sector, so that essential social objectives are met without killing the goose that lays the golden eggs.

27. For instance, even in sectors that have been open to entrepreneurs, there are formidable barriers to entry in the form of registration and licensing procedures. These are intended to provide an information base for social and economic regulation, but may have the effect of deterring would-be entrepreneurs or of keeping entrepreneurs in the informal sector. Unnecessary red tape is undoubtedly a constraint on the development of entrepreneurship and provides opportunities for corrupt practices. Many countries are streamlining their registration procedures. Other controls are being simplified, such as the replacement of specific import licences with automatically issued licences, or their scope reduced, such as price and distribution controls.

28. Another barrier to entrepreneurship is the complexity of tax regulations. While large firms can afford to employ accountants and tax specialists to handle their tax returns and negotiate their liabilities, the small entrepreneur is unlikely to have such assistance. In some countries, the Czech Republic for instance, if a firm grows past a certain point it becomes subject to greater administrative regulation and a higher rate of tax on its profit. This discourages growth.

I. Power, transport and communications infrastructure

29. Entrepreneurs are highly dependent on physical infrastructure — roads, telephones, rail and air connections, storage facilities, shipping, and power sources. High-technology entrepreneurs require efficient telecommunications networks to handle sophisticated information flows. Labour-intensive entrepreneurs require cheap transportation. In some countries, simple roads and trucks are the only infrastructure required. Rapid expansion of the economy may overburden the infrastructure - power outages, endless traffic jams and environmental crises are the symptoms.

30. Physical infrastructure is frequently provided or subsidized by the State. In many countries, however, the Government does not have funds or foreign exchange; in others government money is tied up in defence or debt service. Consequently, the private sector's interest in providing infrastructure — roads, telephone systems, power generation and airlines — has been rising. Roads are being built by private consortia on a toll-paying basis, and power generation is

increasingly in private hands. However, even in the best of circumstances public support is still required.

J. Environmental standards

31. Left to themselves, entrepreneurs will not necessarily protect the natural environment. In the industrialized countries small companies may be responsible for environmental pollution, a fact that has sometimes been ignored in the rush to blame the large companies for their more obvious and better documented environmental impact. Lack of knowledge of the latest non-polluting technologies, lack of management know-how and lack of capital resources to put in place pollution reduction systems often result in small enterprises being among the worst polluters.

32. A regulatory and incentive network is required that charges entrepreneurs for the environmental resources they use. The costs of complying with environmental regulation may be harder for smaller enterprises to cope with than larger units. Some enterprises have had to close because they could not sustain the costs. Governments cannot abandon their responsibility to the environment, but can try to design their programmes to minimize the cost to small enterprises and provide technological and credit assistance.

33. In addition, entrepreneurs can help adapt to the need to protect the environment. Some of the most creative entrepreneurship has been driven by government regulation that forces the development of new clean-production technologies, means of recycling or using wastes, and conservation of raw materials and energy. The projected market for pollution control activities in India alone over the next five years is $4 billion. In the industrialized world, many small entrepreneurs have taken advantage of the recent environmental awareness and the development of a market for environmental products and have become "eco-entrepreneurs", starting companies offering consultancy and other services for pollution control. Environmental problems are an opportunity as well as a burden for small and medium enterprises.

K. Policy coordination

34. A paramount consideration is the coordination of existing social and economic policies with current and planned policy measures for entrepreneurial development. Educational policy, as mentioned above, may need reorientation to provide the seed bed for the next generation of entrepreneurs. There is potential conflict between policies, e.g. an overzealous application of a policy of competition may deter potential entrepreneurs, so there should be consultation and coordination with authorities responsible for general economic and financial policies, business licensing, capital markets, taxation, technology, price control, consumer protection, industry sectors, privatization and foreign investment and trade, with a view to ensuring that entrepreneurial development policy is fully taken into account in the design and implementation of other policies.

35. Governments should also monitor the implementation of their policy measures, evaluate the results and decide on corrective measures.

III. SOURCES OF ENTREPRENEURIAL ABILITY

A. Women entrepreneurs

36. Women represent half a country's potential entrepreneurs, but in most developing countries they face major social and legal obstacles to their participation in economic enterprise. There are special programmes for tapping this major source of entrepreneurial ability. In some countries, rather than provide separately for women, more is done to ensure their representation in mixed gender programmes. New women entrepreneurs often draw on savings and increase investment and exploit new market opportunities, thus mobilizing new capital and markets.

37. Women are very active in micro-enterprises, the informal sector and artisanal development, and a variety of programmes have been launched to support women micro-entrepreneurs through credit and extension services. One successful programme is the Self-Employed Women's Association in India, which has organized and helped over 35,000 women to become independent and self-employed in a wide range of occupations. Another well-known programme is the Grameen Bank in Bangladesh, which has given small loans to its clients, presently about 1 million, 92 per cent of whom are women, without land or assets. The repayment rate is over 98 per cent. More than half those benefiting from micro-enterprise programmes are women, even where they are not specifically targeted. These micro-enterprise programmes have frequently raised the incomes of the households in which poor women live and enhanced their status in those households. The programmes typically provide credit, training and technical assistance and, occasionally, marketing services. Non-governmental organizations (NGOs) are particularly active in running these programmes.

38. Except in micro-enterprise, women are generally underrepresented among entrepreneurs. Some studies suggest that women's orientation makes their micro-enterprises especially unlikely to grow in size. But surveys of entrepreneurs show that women entrepreneurs, in fact, have roughly the same psychological and social make-up as male entrepreneurs. Vigorous programmes in a number of countries have succeeded in increasing the participation of women entrepreneurs in the small, medium, and large enterprise sector, as well as among the very smallest entrepreneurs. Specific measures by Governments and enterprise management have resulted in increases in the numbers of women enroled in higher-level management education and entering management and technical training institutions. This is also due to a growing consciousness among women throughout the world about their creative potential. A few countries have mandated the provision of credit or the allocation of contracts to larger-scale women-led enterprises, and this has also raised the number of women entrepreneurs. Despite a rapid increase in their representation, proportionally women are still way behind: the process of involving women in large-scale entrepreneurship is still only beginning.

B. Informal sector

39. In every economy there is a sector of unlicensed and unregistered businesses. In African economies the informal sector is particularly prominent, especially in agriculture. In the Niger, for instance, the informal agricultural sector accounts for 39 per cent of gross domestic product (GDP) and the informal mining, manufacturing and service sectors another 33 per cent.

40. The considerable creativity found in small enterprises in the informal sector needs to be channelled productively. After considerable controversy, it has been conceded that many of these enterprises are productive, but not as productive as they might be if fully integrated with the rest of society. The informal sector has been harassed by authorities for its anomalous status and denied access to formal sector financial markets, allocations of foreign exchange, and licences to import directly.

41. The informal sector represents the entrepreneurial creativity of those who compose it. Although it is true that the untaxed informal sector may escape some legitimate tax burdens and necessary social regulation, its continued existence leads to socially valuable production. This was evident during the recession of the 1980s when the informal sector was a major source of employment, thus helping to maintain social stability. The informal sector should be provided greater access to resources, and formal sector institutions must establish links with the sector to assist it. Schemes have been launched to register informal enterprises, establish subcontracting relationships between formal and informal enterprises, and provide credit, technical assistance and legal status to informal enterprises, even when they are not fully registered or regulated by the Government.

C. Public sector personnel

42. In many countries, Governments are scaling down public expenditure as part of their adjustment programmes. Since a high proportion of public expenditure consists of civil service salaries, this implies major personnel retrenchment. Public enterprises are taking the same bitter medicine, as they tend to be overstaffed, typically by 20 to 50 per cent, or even more. Whether they are restructured and remain under public ownership, or restructured ready for sale, or restructured after sale, or liquidated, and however retrenchments are effected, the result is large numbers of persons joining the mass of unemployed. Public enterprise tends to be capital-intensive, and the numbers involved are not proportionately high compared, for instance, with the annual increment from school-leavers. However this understates the social and political significance of the problem, as public sector employees who have had steady jobs all their lives tend to have extensive dependants. They also tend to be well organized and politically connected. There is therefore great pressure to provide special "safety net" programmes, typically including lump sum separation payments, to set up in self-employment coupled with retraining/entrepreneurial support programmes. Separation payments are made out of privatization proceeds or funded by donor agencies as investments in human resource development.

43. Since the public sector does not generally encourage or reward entrepreneurial initiative, innovation or risk-taking behaviour, retraining

programmes have to place great emphasis on these traits and attempt to change attitudes. On the other hand, former public sector personnel have an important advantage in that they have political and government contacts and they know how the system works, although this advantage may also be used against the public interest to get preferential treatment from government officers. Despite these problems, efforts must be made to identify potential entrepreneurs from the public sector and give them the minimal support they need to start up in the private sector.

44. Another possible focus is on demobilized personnel from armies and guerrilla forces who need to be reintegrated into the peacetime economy, as in Mozambique, El Salvador and Cambodia.

D. Unemployed and underemployed

45. Large numbers of people in rural areas are underemployed for part or all of the year. The growth linkages between agriculture and small- and medium-scale enterprises are strong in both directions, and their seasonal fluctuations are complementary. Rural industry requires relatively little capital per job. The development of rural industrial and service activities thus often successfully complements or substitutes for agricultural activities.

46. In several developing countries, special programmes target youth or school leavers and give them training in a variety of vocational skills, such as carpentry, car repair, painting and tailoring, as a basis for self-employment. Most of these programmes claim that between 20 and 50 per cent do become successful entrepreneurs, either by self-employment or in business employing one other person, despite their youth and inexperience.

47. In many developing countries, formal jobs are used as a base for individual entrepreneurship. Underemployed civil servants use not only out-of-office hours, but also office hours and facilities on their own business. Where official salaries are very low, some Governments tacitly accept this supplementation. Part-time and second jobs are also very important in those countries whose economies are in transition, such as Hungary, where the number of individual entrepreneurs increased from 222,000 in 1989 to 340,000 in 1991.

IV. MEASURES FOR THE DEVELOPMENT OF ENTREPRENEURSHIP

A. Comprehensive approach and strategic approaches

48. A distinction may be made between the comprehensive approach to entrepreneurial development and strategic approaches. A few countries have comprehensive national programmes directed at all levels of potential entrepreneurs, in all sectors, and comprising a range of orientation, training, credit, consultancy, marketing and even discriminatory protection measures in a single programme, which is intended to increase the number and quality of entrepreneurs. Such programmes are said to have been successful in countries such as India that have invested sufficient resources in them.

49. In other countries, programmes are designed to supply what are perceived as critical missing elements, with links to established programmes in other areas, or are limited to particular sectors, such as handicrafts, garments or metal-working. These are argued to be more cost-effective in creating enterprises, employment and added value. The choice of approach will depend largely on what already exists in the country and the resources available. In Latin America, many programmes address enterprise development rather than entrepreneurship; they provide finance, skills and management training, investment promotion and advocacy of entrepreneurial interests, rather than the promotion of new entrepreneurs.

50. Another strategic choice lies between nationwide programmes and programmes focusing on particular regions. Where transport and communications are poor, a regional focus may be the only viable option, at least initially. A regional focus may also be preferred for the first phase of a national programme, or as a pilot project, especially where small enterprise development is new to the country, as in some of the former centrally planned economies, since it provides a learning experience. The lessons of the first phase can be applied in a later expansion. Also experience has shown that nationwide programmes tend to be centralized and bureaucratically cumbersome in their operation. When run by Governments, with few exceptions, they have been badly managed, staffed with inadequately qualified persons, overextended in their operations, and subject to political interference. Smaller institutions that are based regionally, more focused in their activities or designed to cater to specific sectors generally fared better. Business associations and joint public-private sector bodies are assuming a greater promotional role.

51. Most Asian countries have institutionalized their small-scale enterprise promotion and the orientation of entrepreneurs. Entrepreneurship development is the only activity of some of the institutions, such as the National Institute for Entrepreneurship and Small Business Development in New Delhi, the Entrepreneurship Development Institute of India in Ahmedabad, the Institute for Small-Scale Industry of the University of the Philippines, the Majlis Amanat Rakyat programmes in Malaysia, the Bangladesh Small-Scale and Cottage Industries Corporation and the Sri Lanka Industrial Development Board. In African countries, institutions and services are being developed to serve entrepreneurs, but the process is slow and uncertain.

52. Specific targeted efforts to promote entrepreneurship development sometimes directly provide training and consultancy to entrepreneurs but often provide financial and information resources on which entrepreneurs, particularly new entrepreneurs, can draw. Progressively, interventions have changed from simply providing specific services to specific entrepreneurs to attempting to change financial and information markets so that they are more accessible to all entrepreneurs.

B. Credit programmes

53. One of the critical elements in enterprise formation is adequate capitalization: financial markets allocate capital to enterprises and permit them to use their own excess financial resources more efficiently by lending them to others. These markets contain a large variety of institutions - formal

government-regulated banks and development finance institutions (DFIs), security exchanges, non-bank lenders and deposit takers, as well as a large number of informal non-regulated agencies.

54. The very smallest enterprises, in particular, depend on the informal agencies, but the role of informal agencies is often important on other levels as well. As financial and economic development progresses, the role of formal financial institutions typically increases because they perform many functions more efficiently and on a larger scale than informal ones; none the less informal financial markets continue to be critical.

55. For firms over a certain size, sources of external equity and venture capital are critical. This capital is typically provided through equity flotation on securities markets and through venture capital firms and DFIs. Mutual funds and unit trusts, insurance companies and other types of financial companies mobilize private savings for productive use. At another level, a money market permits efficient transactions and liquidity management and otherwise enhances enterprise efficiency. Home-grown equity investment and venture capital funds are a very recent phenomenon, occurring primarily in Mexico in the form of Sociedades de Inversion de Capitales, a tax-deferred investment vehicle. Pension funds lead the way in Chile. In the early 1980s some venture capital companies, which still exist despite the lack of exit mechanisms, were established by the United States Agency for International Development and the European Investment Bank in the Caribbean.

56. Some focus on the development of the capital market is likely to continue, but foreign donors who provided a significant amount of the capital for new enterprises through DFIs seem less ready to provide funds for DFIs. The International Finance Corporation, affiliated with the World Bank, and similar funds supported by bilateral and multilateral donors are increasing their provision of equity capital, usually to large enterprises, and including co-financing with the private sector. Conversely, the increasing role of aid linked to trade may indicate that concessional funds tied to particular sales will increasingly finance many large capital projects.

57. In the best of cases, development of the banking system and financial markets would naturally lead to adequate financial services for entrepreneurs. However, the natural evolution of the financial system often turns out to be insufficient for them. In country after country, lack of financial accommodation is reported as the principal problem of small entrepreneurs. Reports indicate that the majority of smaller enterprises, except for the very smallest, want credit and cannot obtain it. They are usually willing to pay market rates if necessary. Lack of access to credit seems especially acute for women, who are often excluded from regular credit systems, and for growing enterprises that need capital to expand. Capacity stands idle when even working capital is not available. Estimates of idle capacity in small enterprises range from 18 to more than 50 per cent, depending on the country. Typically there is an even greater shortage of venture and equity capital for new enterprises. This difficulty was noted early in modern capitalist development and led to the creation of industrial development and universal banks in Europe in the nineteenth century. The shortage is even more pronounced for small enterprises in present-day less developed countries, which often lack the records or collateral security that lenders require.

58. Bankers generally complain that small-scale entrepreneurs lack collateral or equity or both to provide security for loans. Consequently, Governments have created guarantees, lines of credit and special financial facilities to serve new small enterprises. Commercial banks in Asia and Latin America have been required to lend funds to small enterprises or have been provided with special central bank or apex institution refinancing or discount windows, or concessions in the levels of reserves they must hold against small-enterprise loans. India and Malaysia, for example, have succeeded in directing roughly 20 per cent of their commercial bank credit to small enterprise. The Philippines and Indonesia have now issued a mandate for a similar percentage. Despite privatization of some State banks, some element of direction in credit allocation will almost certainly remain. Similarly in Africa, directed and preferential lines of credit have been provided through banks and NGOs. Perhaps one of the major changes occurring in Africa today is renewed emphasis by banks on the generation of cash flow as a measure of repayment prospects. In Latin America, however, attempts in the 1980s to encourage formal financial institutions to expand their portfolios to small and micro-enterprise are generally recognized as failures, except in Mexico. Despite controversy on how critical these programmes are for the smallest units, there is some consensus that they are critical for the growth of smaller units into larger ones.

59. Special finance institutions for the development of small enterprise or small-enterprise windows within DFIs have been created. Apex refinancing lines have been opened on favourable terms to refinance small-enterprise lending, and partial and total guarantees of bank small-enterprise lending have been arranged. (In Eastern Europe funds to small enterprise from the World Bank and other institutions will probably be similarly distributed.) All of these credit facilities have resulted in an increase in lending for enterprise and the formation of new enterprise.

60. Nevertheless, small-enterprise lending programmes involve a high level of risk and are subject to potential mismanagement. Over the past few years, however, the way in which these credit schemes are envisioned has changed. The goal of intervention by aid donors is no longer simply to distribute money but also to provide a financial system that serves the needs of entrepreneurs. Creating sustainable financial institutions is an important element in these programmes. The management standards and acceptable levels of repayment for credit programmes have risen steeply. Higher, and often market-level, interest rates are becoming more common because they both enable a larger loan fund (avoiding decapitalization) and serve to direct funds to the most productive projects.

61. Interventions are planned within the context of existing informal and financial markets and are designed to provide the largest increase in available finance for the smallest public outlays. A greater appreciation of the utility of informal markets means that enterprise finance programmes have been created to complement and use these markets and that techniques used by informal markets have been copied by formal sector programmes. For example, the use of group guarantees and local knowledge by NGOs intentionally mimics character-lending by moneylenders. A greater openness to competition and freedom in financial markets have been combined with a renewed emphasis on prudential regulation. Less developed countries and donors now realize that financial innovation and

competition may enable financial markets to meet many needs without government interference.

62. These changes in the handling of enterprise credit are likely to continue into the 1990s. The volume of financial assistance may rise because of a growing interest in the small-scale private sector.

63. Interest in extending credit to the smallest micro-entrepreneurs is also growing, and there has been a great deal of experimentation using mutual savings and loan societies and credit unions. Institutions such as Grameen Bank in Bangladesh and the Association for Micro-Enterprise Development in the Dominican Republic have demonstrated that even the smallest entrepreneurs can be served by largely self-sustaining credit institutions. These microcredit programmes have been shown to exert a considerable positive impact on the borrowers' welfare. They have expanded quite rapidly, and many donors are now under mandate to expand their "poverty-lending" activity. Similar programmes have been undertaken by NGOs in Africa, such as the joint Cottage and Rural Enterprises Limited/World Council of Credit Unions (CARE/WOCCU) project in Togo, the Association pour la Productivité in Burkina Faso and the Mudzi Fund in Malawi. Because the current constraint to the expansion of poverty lending is largely the absence of institution-building to accommodate this expansion, such lending is likely to increase as the appropriate institutions grow.

C. Subcontracting, licensing and business format franchising

64. Subcontracting, franchising and licensing are all means of enabling small entrepreneurs to utilize resources and gain access to markets available to larger enterprises. Some of the tasks of small-scale entrepreneurship are thereby shifted to large-scale units. In the case of subcontracting, the large-scale unit or its broker typically provides the market and the technology and sometimes access to raw materials and finance. In the case of business format franchising, the unit provides the detailed technology and often many of the factors of production, except management and entrepreneurship; it may even handle marketing. In the case of licensing, it provides the technology.

65. Both transnational and local firms have found subcontracting and franchising profitable ways to divide the entrepreneurial function. Although franchising has been especially characteristic of fast-food preparation, which is widespread in Latin America, for instance, its applicability is clearly much wider.

66. The links involved in subcontracting are particularly suitable for technology transfer from large to small firms - because the precise terms of transfer can be monitored and problems of marketing and quality control are often solved simultaneously.

67. Governments and business associations have launched successful efforts to increase subcontracting. NGOs and chambers of commerce have promoted subcontracting exchanges, including the removal of tax obstacles, and have provided assistance with quality control. In some cases subcontracting has been required, especially for large firms. The direction of change has been to promote subcontracting by facilitating it on a voluntary rather than a

compulsory basis. In some countries municipal functions are subcontracted to private firms. Although legal requirements to subcontract may decline because of a move towards deregulation, subcontracting, franchising and licensing are likely to continue to be popular because of their overall commercial utility. In Eastern Europe, because most industry is concentrated, there is a high potential for large firms to gain the flexibility that comes from subcontracting and for small firms to get opportunities for expansion.

68. Subcontracting has been widely practised in Asia. Many small Japanese firms are interlocked with larger ones. The parent unit takes responsibility for the provision of raw materials, technical assistance and even credit to the small subcontracting units. In India, the Government has made subcontracting compulsory for large firms and maintains a register of potential subcontractors and attempts to link them with larger units. Few, if any, other countries have followed this compulsory path. The Government of the Republic of Korea has also actively promoted subcontracting and, as in Japan, protects subcontractors against, for example, late payment by their parent bodies. In Africa, on the other hand, subcontracting has not proved popular, partly because it has been connected with the exploitative policies of State-owned enterprises. In Latin America, the major form of subcontracting is with United States-based transnational corporations. However patterns of involvement are changing. East Asian multinationals are bringing in new methods of supply and distribution, and business associations and NGOs are active intermediaries in promoting subcontracting. They operate or promote subcontracting exchanges, sector-specific manufacturing networks, raw materials banks and contract farming. Greater reliance on subcontracting is limited by unpredictable adjudication of contract disputes and inadequate protection of intellectual property.

D. Privatization

69. One means of promotion of private enterprise by the public sector has been privatization. This includes any transfer of public sector activity into private sector hands and takes different forms of ownership and management. Sectors such as bus transport and commodity trading previously monopolized by government enterprises are opened to private enterprises. Public enterprises give contracts to lowest bidders for services which can be provided by private firms, such as cleaning, catering, data processing, and technical services, such as cable laying for a telecommunications corporation. Contracts obtained by public enterprises may be wholly or partially subcontracted to private firms. Municipalities have contracted out services such as street cleaning, solid waste disposal and power generation. Public enterprises are sold, leased or (in some transitional economies) given away to private entrepreneurs. Infusions of private capital and entrepreneurship are expected to lead to higher productivity and better service to consumers. The task frequently involves reorganizing government activities so that they are sustainable once they are in private hands. The Government has important responsibilities to ensure appropriate infrastructure and regulatory regimes for the new enterprises.

70. The transformation of the transitional economies involves the restructuring of enterprises, including the break-up of large conglomerates, and their privatization. The Government has a continuing role to promote competition.

Poland's competition office has been supervising restructuring, and competition agencies in the Czech Republic and elsewhere are just finding their footing.

E. Participation by non-governmental organizations

71. All of the targeted tasks imply the creation and strengthening of institutions that can administer these special programmes. Among the most critical tasks is the establishment of assistance organizations that can administer assistance programmes to small enterprises. This establishment consists of two elements: (a) technical assistance, drawing on world-wide and national experience of such organizations, and (b) financial assistance to the organizations until they reach a self-financing volume of business. All of the major donors have lent support to such organizations, drawing on their own and other resources, and exchanging information through the Committee of Donor Agencies for Small-Enterprise Development.

72. The further professionalization of the promotion management of small enterprise is to be expected during the 1990s, as the process of technical assistance and organizational development evolves.

73. Considerable assistance to business is now routed through business associations, which also serve to represent business in securing needed policy changes or necessary infrastructure. These organizations are particularly suited to work in a public-private partnership.

74. Despite the long-running activities of such organizations and programmes, only recently have they gained the attention of promoters, partly because of disenchantment with purely governmental enterprise promotion agencies (small- and medium-industry development agencies). During the 1990s the use of business associations and other NGOs as promotional agencies will certainly become more extensive. NGOs promote training in small-scale entrepreneurship, such as CARE's technical assistance and credit training programme in the Niger, and Technoserve's grass-roots cooperative programmes in several African countries. Latin American Governments have also promoted NGO involvement.

75. At the international level, the World Assembly of Small and Medium Enterprises, for instance, is a major non-governmental organization engaged in the promotion of small and medium enterprises, and has contributed in bringing about policy and operational changes in both developing and developed countries.

F. Entrepreneur and management training

76. A number of management training courses attempt to affect the psychological orientation of the entrepreneur. This psychological orientation is often given in combination with direct assistance, finance, technology, and marketing in setting up a new business. The instructors attempt to change attitudes in order to inculcate a more entrepreneurial orientation. Interest in these entrepreneurship orientation courses continues to be quite high. Therefore, some expansion parallel to the general expansion in business management training can be expected during the 1990s.

77. In a recent survey the great majority of entrepreneurial programmes were found in Asia. Studies of these programmes, e.g. in India, Bangladesh and Malaysia, have shown a positive impact, although the effect of the entrepreneurial training is often difficult to separate from other aspects of the promotional programmes with which they are connected. There are also examples from Latin America, such as the Empresarios Juveniles programme for high-school students in El Salvador, and the EMPRETEC programmes which operate in Ghana, Nigeria and Zimbabwe, as well as Latin America.

78. Education in technical skills is critical for many entrepreneurs, but technical training needs must be assessed and met separately for each subsector. When a programme has targeted a specific subsector, the effects have been dramatic, but a large number of subsector programmes have also failed. The 1990s should be a time of learning from subsector analysis that can properly target technical assistance and ensure its value.

79. General management education has also rapidly expanded, including that for business proprietors. A large number of business schools offer specialized courses in entrepreneurship. The International Labour Organisation (ILO) conducts courses for the self-employed in more than 70 countries, and the methodology of the Fundación Carvajal in Cali, Colombia, has been widely adapted throughout Latin America. Materials are adapted and changed for each course and focus on basic management skills, bookkeeping and business planning. A range of methodologies is used, from case-study discussion and gaming to directed readings and classroom instruction. Despite the rapid extension of this kind of education, demand for it does not appear to be slackening, and participants often pay most or all of the cost of the course, especially in Latin America.

80. In many countries, universities play a crucially important role in teaching entrepreneurial skills and in guiding and fostering enterprises started by students and graduates.

81. A great deal of training, like credit, is informal or semiformal. Skills are learned on the job, sometimes in structured apprenticeship programmes. Many new entrepreneurs get their start working with larger enterprises before they set out on their own.

82. Experience with industrial extension services has been mixed. There is a growing consensus that much of the training and consultancy effort has been wasted. The development of these services can be expected to slacken, but those that are continued are likely to be more autonomous and professional. The most effective forms of training are connected with industrial extension, which transfers management and technical knowledge from the classroom to the shop floor. Many of the most successful programmes combine extension, training and small business groups to address the actual problems faced by those who run enterprises. Interventions are increasingly being based on detailed subsector technological and market studies that permit the more precise identification of training needs.

83. Antipoverty efforts, centring on microcredit for poor entrepreneurs and pre-entrepreneurs, especially women, have been key elements of programmes seeking a more equitable society. Although not every poor person is a potential entrepreneur, many have skills, market access or even small lots of land on

which they can build an income-generating activity. NGOs are particularly active in running these programmes.

G. Entrepreneur development in the public sector

84. Unfortunately, many public sector managers have not behaved in an entrepreneurial fashion. Their professional experience and the incentives they face orient them to routine administration. They are frequently subjected to regulatory and audit regimes that discourage innovation and responsibility for results. With this as background, programmes of training and technical assistance have often been ineffective in the absence of reforms of these regimes.

85. Public enterprises, which suffer from absentee ownership, unspecified goals and trade-offs, political and bureaucratic interference, divided accountability, and lack of management incentives, are not generally breeding grounds for entrepreneurship, despite some eminent exceptions (for instance, in Singapore). Attempts at inducing entrepreneurial attitudes among enterprise managers are based on formally separating enterprises from their supervising agencies by means of performance contracts, otherwise called contract plans, performance agreements and memoranda of understanding. These address the management problems of each public enterprise by clearly specifying the goals and indicators by which management performance will be judged and any limitations on the authority of management in the pursuit of those goals and by providing performance-linked incentives. Interference is minimized by appointment of strong managers, by legal reconstitution of enterprises as limited companies and/or interposing a holding company between the enterprise and government, and by having contracts ratified by the political directorate, or even the head of State as in the Gambia.

86. The first step is often the break up of a large and unmanageable public enterprise into separate businesses and treating each business as a profit centre, buying and selling from other profit centres or, after a transitional period for adjustment, from outside. Within any large enterprise there are some potential entrepreneurs. If these can be identified, the enterprise may provide credit, technical assistance and other support (the incubator concept). In Yugoslavia, 6,000 employees of the Jesenice Iron and Steel Works were asked for their business ideas. They came up with an initial 65 ideas. Of these, 16 were developed as business plans and 12 were accepted by the executive and implemented.

87. Effective programmes have thus had to involve institutional reform and organizational development that in turn require that decision-making and responsibility for results be decentralized. Like larger private corporations that have divided themselves into numerous profit centres, public firms have moved their centre of gravity downwards. Greater freedom has been given to subunits for setting prices and hiring and firing workers, and the units themselves have been subjected to the disciplines and opportunities of competitive labour and financial markets. They have frequently been deprived of their monopoly status and forced to compete both with each other and with the private sector.

88. At the same time, training programmes - both jointly and separately with private sector managers and programmes of personnel interchange between the two sectors - have succeeded in enhancing the entrepreneurial orientation of public sector managers.

H. Technology parks, incubators and industrial estates

89. Technology parks, incubators and industrial estates all try to meet the needs of enterprises by concentrating support services in one location. Technology parks target high-technology enterprises, often in specific industries that are the focus of publicly supported promotional programmes and are connected with nearby academic and research institutions. Incubators are designed to provide transitional assistance to start up enterprises. They are normally supported by a university or a local technology centre and are not typically focused on any one industry. Industrial estates, public and private, provide key elements of infrastructure, such as land and utilities, training and common production facilities. Although industrial estates were typically part of earlier enterprise promotion efforts, their reliance on State subsidies has reduced their attractiveness in recent years. As with credit, industrial estates are increasingly expected to be self-financing, unlike incubators and technology parks. Any of these types of facilities may be combined with free trade zones and export processing zones, which also benefit from particularly favourable tax and regulatory regimes designed to promote exports.

90. While Governments can play an important role in promoting incubators and technology parks, their bureaucratic style is frequently not appropriate. An incubator or technology park is itself an entrepreneurial venture that must be flexible, changing rapidly to keep up with changing technologies and markets. While there have been a few notable successes in publicly initiated incubators and technology parks, more and more of these facilities are being launched either in the private sector or as joint private and public sector efforts with initiative from the private side. Furthermore, they cannot succeed in a vacuum without a minimal industrial base, physical infrastructure and trained labour force in the rest of the economy. The renewed focus on technology as the cornerstone of development policies, especially in Asia and Eastern Europe, will continue to focus attention on the establishment of technology parks and incubators oriented towards technology.

V. ROLE OF THE INTERNATIONAL COMMUNITY

A. The international policy environment

91. The international policy environment is critical, especially for export-oriented entrepreneurs. Enterprises in developing countries have suffered from shortages of foreign exchange. These shortages have been caused by high demands for debt service, stagnant official development assistance (ODA), limited access to the goods and capital and technology of developed-country markets, capital flight, and declining international private lending. The reduction of the international debt overhang is necessary for world economies in general and critical for those countries that, without debt relief, will have limited participation in international capital and technology markets.

92. The international policy environment can encourage a resumption of private commercial lending, direct foreign investment and technology transfer on both public and private accounts. The public sector in wealthier countries should maintain concessional ODA levels. Wealthier economies should pursue the task of stable growth for their own economies in order to provide the needed markets with capital and technology to sustain their share of international trade. All nations of the world should act together to create an international order that facilitates private flows by providing some guarantee of economic and political stability and a stable regime for international investment and intellectual property rights. The growth of ODA has been slow for the past decade and its prospects in the 1990s are unclear, even though demands both by traditional recipients and by the Eastern European countries and former Soviet Union constituents have increased and will continue to increase. More efficient and stable international capital markets should lead to decreased intermediation costs and risk premia and, therefore, cheaper capital for investment.

93. The international trade environment is equally important to the growth of entrepreneurship in developing countries and in countries whose economies are in transition. There is a close association between the growth of trade and the growth of output. While several developing countries have adopted more liberal trading regimes, policy makers in developed countries have tended to give way to pressures for protection with respect to specific industries. The stalemate in the Uruguay Round of multilateral trade negotiations continues to cast doubt on the future of the multilateral trading system.

B. Technical cooperation

94. In transitional and developing countries, entrepreneurship promotion programmes are often financed by aid donors who provide technical assistance to the implementing institutions (institution-building) on the basis of their experience. International donors have been providing more than $500 million a year to support such programmes, and their support is likely to increase. The Department of Development Support and Management Services of the United Nations Secretariat, the World Bank, regional and subregional banks, ILO, the United Nations Development Programme (Division for Private Sector in Development), the United Nations Industrial Development Organization (UNIDO) and the United Nations Conference on Trade and Development (UNCTAD) are the main international organizations providing technical assistance in this field. There are also several bilateral agencies and international NGOs who are actively promoting entrepreneurial development.

95. Central and Eastern European countries are assisted by the Group of 24, which in 1989 set up Operation PHARE (Aid for Economic Restructuring in Poland and Hungary). Small and medium enterprise support was a key priority in this programme. PHARE was later extended to the other countries of Eastern Europe.

96. Most countries have received assistance from donors and NGOs to set up and strengthen technology transfer units and the development of appropriate technology. The assistance is meant to provide low-cost, low-maintenance equipment for greater value added and cost containment and to alleviate the problems of the unavailability of spare parts and production stoppages.

97. Considerable effort has gone into expanding training, both in management skills and entrepreneurial orientation. ILO provides technical assistance to Governments in formulating and implementing national programmes and to employers' organizations, workers' organizations and other NGOs. Programmes have been assisted in almost every country in Africa, including assessments of the vast informal sector and training. UNIDO has long-standing programmes in entrepreneurship and small- and medium-scale industry development, comprising research and development, dissemination to developing countries through meetings and publications, advisory services and technical cooperation projects at the policy, institutional and enterprise levels. The Department of Development Support and Management Services has organized a number of workshops. Entrepreneurship workshops and training-of-trainers courses are offered through local business associations and banks in developing and transitional economies by the United Nations EMPRETEC programme in cooperation with national and transnational corporations and universities. World wide, about 23,000 entrepreneurs have applied for the programme. By the end of 1992 EMPRETEC had assisted about 1,500 selected entrepreneurs and over 250 businesses had been formed or expanded. In 1992 more than 40 per cent of the participants were women. The programme has been very effective in generating new technology-oriented businesses and cross-border ventures among participants, and establishing entrepreneur associations.

98. A considerable amount of bilateral and multilateral assistance is now committed to the development of national banking systems and, particularly, to improving access to credit by small enterprises. The World Bank has been lending substantially more than $1 billion a year to support financial sector reorganization projects.

VI. CONCLUSION

99. Despite long-term recognition that entrepreneurship, particularly innovative entrepreneurship, lies at the heart of economic development and technological dynamism, it is only with the growing disenchantment with centralized economies and giant enterprises that entrepreneurship has moved to the centre of the economic stage. Governments are restructuring their political and social systems to provide a conducive business environment for entrepreneurs, but it should be noted that there are wide regional and national differences in the level of entrepreneurial development activity. Governments are permitting the free functioning of market forces and restructuring their economies so that entrepreneurs respond to market signals. At the same time, they are attempting to ensure that the incentives are for productive, not parasitic or illegal, entrepreneurship. Realizing that their own resources are limited, Governments have concentrated them on institution-building and infrastructure and left productive enterprise to private entrepreneurs and market-responsive, decentralized public sector entrepreneurs. In an increasing number of countries, Governments have privatized various activities, by selling them, contracting out activities or withdrawing from particular sectors, thus opening up wider vistas for private entrepreneurs. Insufficient attention has been paid to primary education and technical and commercial education, the forms most relevant to enterprise activities, although this imbalance is slowly being corrected. These processes, which gained momentum in the 1980s, will accelerate in the 1990s.

100. Governments and NGOs have made special efforts to broaden entrepreneurial sources and mobilize the entrepreneurial talents of women and other groups who were formerly limited to micro-enterprise. Governments and NGOs have also moved to reduce discrimination against the large number of entrepreneurs in the informal sector, which had formerly been considered solely as a negative social phenomenon. Governments have also sought to draw informal entrepreneurs into the general economy. All of these trends will accelerate in the 1990s, but will require support from the international community as a whole, including maintaining open markets and increasing flows of investment and economic assistance to permit the newly entrepreneurial economies to flourish.

101. Governments have provided various credit facilities, training and extension services. They have promoted special programmes for women entrepreneurs and others from previously disadvantaged groups. They have promoted technology parks, incubators and industrial estates, subcontracting, franchising and licensing, and funded institutions for promoting new enterprises.

102. Many of these measures have been undertaken for some time now, but in the 1980s and 1990s they are being subjected further to market forces. Elements of subsidy have been reduced: training services and credit are provided only when there is a sustainable market demand for them. Private enterprises and business associations have been involved not only as beneficiaries but also as the providers and managers of these services. Measures of protective discrimination have been reduced. Promotional programmes are not so much intended to deliver services to target populations: they have become strategic interventions in the markets for financial and information services or for the provision of physical infrastructure and training. They are judged in terms of the amount and quality of new entrepreneurship that the transformed markets allow. Entrepreneurship promotion is itself being pursued as an entrepreneurial activity.